UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of earliest event reported) June 23, 2021

Carrols Restaurant Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**001-33174**	**83-3804854**
(State or other jurisdiction of incorporation or organization)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

968 James Street **Syracuse, New York**	**13203**
(Address of principal executive office)	**(Zip Code)**

Registrant's telephone number, including area code: (315) 424-0513

N/A
(Former name or former address, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01 per share	TAST	The NASDAQ Global Market

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01. REGULATION FD DISCLOSURE.

On June 23, 2021, Carrols Restaurant Group, Inc. (the "Company") issued a press release, the entire text of which is attached as Exhibit 99.1 and is incorporated by reference herein.

In connection with a senior notes offering, the Company is disclosing under this Item 7.01 of this Current Report on Form 8-K the information included as Exhibit 99.2, which is being disclosed to prospective investors in a confidential Preliminary Offering Memorandum (the “Preliminary Offering Memorandum”).

This information, some of which has not been previously reported (including certain unaudited historical financial information for the twelve months ended April 4, 2021 including EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted net income (loss) and reconciliations of these non-GAAP measures to net income (loss) and, in the case of Adjusted Restaurant-Level EBITDA, to income (loss) from operations), is excerpted from the Preliminary Offering Memorandum.

The Company will also be providing certain information with respect to, among other things, the expected entry by the Company into an amendment to the Credit Agreement (as amended, the "Senior Credit Facility") dated as of April 30, 2019 among the Company, as borrower, the subsidiaries party thereto, as guarantors, the lenders party thereto, as lenders and Wells Fargo Bank, National Association, as administrative agent and a lender. As amended, the Senior Credit Facility is expected to revise (a) the initial amount for calculating the Available Amount (as defined in the Senior Credit Facility) from $27.0 million to $50.0 million which is utilized, among other items, in determining the amount of Restricted Payments (as defined in the Senior Credit Facility) and Permitted Investments (as defined in the Senior Credit Facility), (b) the calculation of the Company's ability to incur an Incremental Term Loan (as defined in the Senior Credit Facility) or an increase to the Revolving Committed Amount from $135.0 million to $180.0 million, and (c) the general basket for Restricted Payments, Permitted Investments and Restricted Junior Debt Payment (as defined in the Senior Credit Facility) from an aggregate amount not to exceed the greater of (i) $27.0 million and (ii) 20% of Consolidated EBITDA (as defined in the Senior Credit Facility) as of the most recently completed Reference Period (as defined in the Senior Credit Facility) to (i) $50.0 million and (ii) 40% of Consolidated EBITDA as of the most recently completed Reference Period. In addition, the Senior Credit Facility, as amended, is expected to revise the Total Net Leverage Ratio required for the Company to make Restricted Payments or prepay Junior Debt (as defined in the Senior Credit Facility) with unutilized Available Amount from 3.00 to 1.00 to 4.00 to 1.00. Furthermore, the Senior Credit Facility, as amended, provides for affiliates of the Company to acquire up to 20% of the outstanding term loans pursuant to certain transactions. As the final terms of the amendment to the Senior Credit Facility have not been agreed upon, the final terms may differ from those set forth herein. There can be no assurance that the Company will enter into the amendment to the Senior Credit Facility on such terms, or at all.

The information in this Current Report on Form 8-K, including the exhibits hereto, is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information in this Current Report on Form 8-K shall not be incorporated by reference into any filing with the Securities and Exchange Commission made by the Company (regardless of any general incorporation language in such filing), except as expressly set forth by specific reference in such filing.

Important Information for Investors and Stockholders

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

99.1	Carrols Restaurant Group, Inc. Press Release, dated June 23, 2021
99.2	Excerpts from the Carrols Restaurant Group, Inc. Preliminary Offering Memorandum, dated June 23, 2021
104	Cover Page Interactive Data File (formatted as Inline XBRL)

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 23, 2021

CARROLS RESTAURANT GROUP, INC.

By:	/s/ Anthony E. Hull
Name:	Anthony E. Hull
Title:	Vice President, Chief Financial Officer and Treasurer

Exhibit 99.1

FOR IMMEDIATE RELEASE

Investor Relations:
Raphael Gross
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Carrols Restaurant Group, Inc. Announces Offering of Senior Notes

Syracuse, New York. June 23, 2021 - (Businesswire) - Carrols Restaurant Group, Inc. (NASDAQ: TAST) ("Carrols Restaurant Group") announced today that it plans to offer, in a private placement, senior notes due 2029 in the aggregate principal amount of $300 million (the "Notes"). Carrols Restaurant Group is the largest U.S. Burger King® franchisee based on the number of restaurants and has owned and operated Burger King restaurants since 1976. As of April 4, 2021, the Company owned and operated 1,010 Burger King restaurants and 65 Popeyes® restaurants. Carrols Restaurant Group intends to use the net proceeds of the private placement of the Notes and $46 million of revolving credit borrowings under its senior credit facility (i) to repay $74.0 million of outstanding term loan B-1 borrowings and $244.0 million of outstanding term loan B borrowings under its senior credit facility, (ii) to pay fees and expenses related to the offering of the Notes and the amendment to its senior credit facility, and (iii) for working capital and general corporate purposes, including for possible future repurchases of its common stock and/or a dividend payment and/or payments on its common stock.

The Notes will be offered only to persons reasonably believed to be qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended (the "Securities Act"), and to non-U.S. persons in transactions outside the United States under Regulation S under the Securities Act. The Notes will not be registered under the Securities Act and may not be offered or sold in the U.S. or to U.S. persons absent registration or an applicable exemption from registration requirements.

This press release is being issued pursuant to and in accordance with Rule 135(c) under the Securities Act. This press release is for informational purposes only and is not an offer to sell or a solicitation of an offer to purchase the Notes.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Except for the historical information contained in this news release, the matters addressed are forward-looking statements. Forward-looking statements, written, oral or otherwise made, represent Carrols Restaurant Group's expectation or belief concerning future events. Without limiting the foregoing, these statements are often identified by the words "may", "might", "believes", "thinks", "anticipates", "plans", "expects", "intends" or similar expressions. In addition, expressions of our strategies, intentions, plans or guidance are also forward-looking statements. Such statements reflect management's current views with respect to future events and are subject to risks and uncertainties, both known and unknown. You are cautioned not to place undue reliance on these forward-looking statements as there are important factors that could cause actual results to differ materially from those in forward-looking statements, many of which are beyond our control. Investors are referred to the full discussion of risks and uncertainties, including without limitation the impact of COVID-19 on Carrols Restaurant Group’s business, as included in Carrols Restaurant Group's filings with the Securities and Exchange Commission.

EXHIBIT 99.2

EXCERPTS FROM THE CARROLS RESTAURANT GROUP, INC.
CONFIDENTIAL PRELIMINARY OFFERING MEMORANDUM DATED JUNE 23, 2021

The inclusion of the information presented below should not be viewed as a determination that such information is material.

USE OF NON-GAAP FINANCIAL MEASURES

EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted net income (loss) are non-GAAP financial measures. EBITDA represents net income or loss before income taxes, interest expense and depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted to exclude impairment and other lease charges, acquisition and integration costs, stock-based compensation expense, abandoned development costs, restaurant pre-opening costs, non-recurring litigation and other professional expenses, gain on bargain purchase, loss on extinguishment of debt and other income and expense. Adjusted Restaurant-Level EBITDA represents income or loss from operations as adjusted to exclude general and administrative expenses, depreciation and amortization, impairment and other lease charges, restaurant-level integration costs, pre-opening costs and other income and expense. Adjusted net income (loss) represents net income or loss as adjusted to exclude loss on extinguishment of debt, impairment and other lease charges, acquisition and integration costs, abandoned development costs, pre-opening expense, gain on bargain purchase, non-recurring litigation and other professional expenses and other income or expense, the related income tax effect of these adjustments and the establishment or reversal of a valuation allowance on our net deferred income tax assets.

We are presenting Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted net income (loss) because we believe that they provide a more meaningful comparison than EBITDA and net income (loss) of our core business operating results, as well as with those of other similar companies. Additionally, we present Adjusted Restaurant-Level EBITDA because it excludes the impact of general and administrative expenses such as salaries and expenses associated with corporate and administrative functions that support the development and operations of our restaurants, legal, auditing and other professional fees, as well as restaurant integration costs related to acquisitions, restaurant pre-opening costs, and other income and expense. Although these costs are not directly related to restaurant-level operations, these costs are necessary for the profitability of our restaurants. Management believes that Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted net income (loss), when viewed with our results of operations in accordance with GAAP and the accompanying reconciliations, provide useful information about operating performance and period-over-period growth, and provide additional information that is useful for evaluating the operating performance of our core business without regard to potential distortions. Additionally, management believes that Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted net income (loss) permit investors to gain an understanding of the factors and trends affecting our ongoing cash earnings, from which capital investments are made and debt is serviced.

However, EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted net income (loss) are not measures of financial performance or liquidity under GAAP and, accordingly, should not be considered as alternatives to net income (loss), income from operations or cash flow from operating activities as indicators of operating performance or liquidity. EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA, and Adjusted net income (loss) have important limitations as analytical tools. These limitations include the following:

- EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA, and Adjusted net income (loss) do not reflect our capital expenditures, future requirements for capital expenditures or contractual commitments to purchase capital equipment;
- EBITDA, Adjusted EBITDA and Adjusted Restaurant-Level EBITDA do not reflect the interest expense or the cash requirements necessary to service principal or interest payments on our debt;
- although depreciation and amortization are non-cash charges, the assets that we currently depreciate and amortize will likely have to be replaced in the future, and EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA, and Adjusted net income (loss) do not reflect the cash required to fund such replacements; and
- EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted net income (loss) do not reflect the effect of earnings or charges resulting from matters that our management does not consider to be indicative of our ongoing operations. However, some of these charges (such as impairment and other lease charges and acquisition costs) have recurred and may reoccur.

See “Summary — Summary Historical and Selected Unaudited Financial and Operating Data” for a quantitative reconciliation of EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted net income (loss) to the most directly comparable GAAP financial performance measure, which we believe is net income (loss) for EBITDA and Adjusted EBITDA, income (loss) from operations for Adjusted Restaurant-Level EBITDA, and net income (loss) for Adjusted net income (loss).

Summary Historical and Selected Unaudited Financial and Operating Data

The following table sets forth our summary historical and selected unaudited financial and operating information for the periods presented. The summary historical financial information has been derived from our audited consolidated financial statements prepared in accordance with GAAP for each of the fiscal years ended December 30, 2018, December 29, 2019 and January 3, 2021. Our fiscal years ended December 30, 2018 and December 29, 2019 each contained 52 weeks. Our fiscal year ended January 3, 2021 contained 53 weeks.

The summary unaudited consolidated financial statements for the three months ended April 4, 2021 and March 29, 2020 include all adjustments, consisting of normal recurring which, in our opinion, are necessary for a fair presentation of the financial position and results of operation for these periods. The summary unaudited consolidated financial information has been prepared on a basis consistent with our audited consolidated financial statements. The results of operations for the three months ended April 4, 2021 and March 29, 2020 are not necessarily indicative of the results to be expected for the full year.

All of the financial and operating data for the twelve months ended April 4, 2021 included herein has been derived by adding the financial and operating data for the year ended January 3, 2021, which contained 53 weeks, to the financial and operating data for the three months ended April 4, 2021 and subtracting the financial and operating data for the three months ended March 29, 2020.

The information in the tables below is only a summary and should be read together with our consolidated financial statements as of January 3, 2021 and December 29, 2019 and for the years ended January 3, 2021, December 29, 2019 and December 30, 2018 included in our Annual Report on From 10-K for the fiscal year ended January 3, 2021 and as of April 4, 2021 and for the three months ended April 4, 2021 and March 29, 2020 included in our Quarterly Report on Form 10-Q which are incorporated by reference herein.

	Fiscal Year Ended			Three Months Ended		Twelve Months Ended
	December 30, 2018	December 29, 2019	January 3, 2021	March 29, 2020	April 4, 2021	April 4, 2021
	(Dollars in thousands, other than operating data)					
Statements of Operations data:						
Restaurant sales	$ 1,179,307	$ 1,452,516	$ 1,547,502	$ 351,518	$ 389,993	$ 1,585,977
Other Revenue	—	10,249	—	—	—	—
Total Revenue	1,179,307	1,462,765	1,547,502	351,518	389,993	1,585,977
Costs and expenses:						
Cost of sales	326,308	431,969	452,738	102,927	113,790	463,601
Restaurant wages and related expenses	382,829	485,278	498,127	124,575	129,646	503,198
Restaurant rent expense	81,409	107,147	118,444	29,454	30,314	119,304
Other restaurant operating expenses	178,750	227,364	236,059	57,978	61,419	239,500
Advertising expense	48,340	58,689	60,735	13,876	15,369	62,228
General and administrative[1]	66,587	84,734	84,051	20,787	21,369	84,633
Depreciation and Amortization	58,468	74,674	81,727	21,031	20,609	81,305
Impairment and other lease charges	3,685	3,564	12,778	2,881	353	10,250
Other expense (income)[2]	(424)	(1,911)	(1,271)	56	227	(1,100)
Total operating expenses	1,145,952	1,471,508	1,543,388	373,565	393,096	1,562,919
Income (loss) from operations	33,355	(8,743)	4,114	(22,047)	(3,103)	23,058
Interest expense	23,638	27,856	27,283	7,140	6,726	26,869
Loss on extinguishment of debt	—	7,443	—	—	—	—
Gain on bargain purchase	(230)	—	—	—	—	—
Income (loss) before income taxes	9,947	(44,042)	(23,169)	(29,187)	(9,829)	(3,811)
Provision (benefit) for income taxes	(157)	(12,123)	6,294	(6,978)	(2,661)	10,611
Net income (loss)	$ 10,104	$ (31,919)	$ (29,463)	$ (22,209)	$ (7,168)	$ (14,422)
Other financial data:						
Net cash provided by (used in) operating activities	$ 80,769	$ 48,708	$ 103,945	$ (3,790)	$ 7,036	$ 114,771
Total capital expenditures	75,735	134,879	56,890	24,597	10,627	42,920
Net cash used for (provided by) investing activities	106,894	218,045	47,857	21,968	10,627	36,516
Net cash provided by (used in) financing activities	727	168,297	5,902	64,056	(1,444)	(59,598)
Operating Data:						
Restaurants (at end of period)	849	1,101	1,074	1,093	1,075	1,075
Average number of operating restaurants	813.9	998.5	1,078.0	1,095.0	1,074.0	1,072.8
Average annual sales per restaurant[3]	$ 1,449	$ 1,455	$ 1,436			$ 1,478
Adjusted EBITDA[4]	102,990	86,371	107,855	3,972	19,866	123,749
Adjusted Restaurant-Level EBITDA[4]	162,133	156,131	181,562	22,797	39,484	198,249
Adjusted net income (loss)[4]	14,091	(15,323)	(3,733)	(19,317)	(6,500)	9,084
Change in comparable restaurant sales[5]	3.8 %	2.2 %	(2.7)%	(5.7)%	13.8 %	1.6 %

	December 30, 2018	December 29, 2019	January 3, 2021	March 29, 2020	April 4, 2021
	(Dollars in thousands)				
Balance sheet data (at end of period):					
Cash and cash equivalents	$ 4,014	$ 2,974	$ 64,964	$ 41,272	$ 59,929
Total assets	600,251	1,751,460	1,757,085	1,778,134	1,745,190
Working capital	(47,461)	(109,540)	(44,396)	(64,583)	(45,637)
Debt:					
Senior secured second lien notes	$ 275,000	$ 422,875	$ —	$ —	$ —
Senior credit facility term loan B borrowings	—	—	419,375	421,813	418,312
Senior credit facility term loan B-1 borrowings	—	—	73,875	—	73,688
Senior credit facility revolving credit borrowings	—	45,750	—	111,750	—
Senior Unsecured Notes	—	—	—	—	—
Finance leases	3,941	2,524	908	1,958	1,315
Total debt	$ 278,941	$ 471,149	$ 494,158	$ 535,521	$ 493,315
Stockholders' equity	$ 185,540	$ 309,462	$ 271,532	$ 283,122	$ 268,935

	Fiscal Year Ended			Three Months Ended		Twelve Months Ended
	December 30, 2018	December 29, 2019	January 3, 2021	March 29, 2020	April 4, 2021	April 4, 2021
	(Dollars in thousands)					
Reconciliation of EBITDA and Adjusted EBITDA:						
Net income (loss)	$ 10,104	$ (31,919)	$ (29,463)	$ (22,209)	$ (7,168)	$ (14,422)
Provision (benefit) for income taxes	(157)	(12,123)	6,294	(6,978)	(2,661)	10,611
Interest expense	23,638	27,856	27,283	7,140	6,726	26,869
Depreciation and amortization	58,468	74,674	81,727	21,031	20,609	81,305
EBITDA	**92,053**	**58,488**	**85,841**	**(1,016)**	**17,506**	**104,363**
Impairment and other lease charges	3,685	3,564	12,778	2,881	353	10,250
Acquisition & integration costs[(6)]	1,445	10,827	273	81	—	192
Abandoned development costs[(7)]	—	256	3,464	688	—	2,776
Pre-opening costs[(8)]	462	1,449	163	89	29	103
Other (income) and expense, net[(9)]	(424)	(1,911)	(1,271)	56	227	(1,100)
Litigation and other professional expenses[(10)]	187	502	1,384	61	282	1,605
Stock compensation expense[(1)]	5,812	5,753	5,223	1,132	1,469	5,560
Gain on bargain purchase	(230)	—	—	—	—	—
Loss on extinguishment of debt	—	7,443	—	—	—	—
Adjusted EBITDA	**$ 102,990**	**$ 86,371**	**$ 107,855**	**$ 3,972**	**$ 19,866**	**$ 123,749**
COVID-19 other supplies expense						2,871
Travel restructuring savings						143
Training restructuring savings						575
Proforma EBITDA from stores closed						525
Lost earnings due to First Data outage						250
Cash payments previously included in impairment						(657)
Covenant Adjusted EBITDA						**$ 127,456**

	Fiscal Year Ended			Three Months Ended		Twelve Months Ended
	December 30, 2018	December 29, 2019	January 3, 2021	March 29, 2020	April 4, 2021	April 4, 2021
	(Dollars in thousands)					
Reconciliation of Adjusted Restaurant-Level EBITDA						
Income (loss) from operations	**$ 33,355**	**$ (8,743)**	**$ 4,114**	**$ (22,047)**	**$ (3,103)**	**$ 23,058**
Add:						
General and administrative expenses	66,587	84,734	84,051	20,787	21,369	84,633
Restaurant integration costs	—	2,364	—	—	—	—
Pre-opening costs(8)	462	1,449	163	89	29	103
Depreciation and amortization	58,468	74,674	81,727	21,031	20,609	81,305
Impairment and other lease charges	3,685	3,564	12,778	2,881	353	10,250
Other (income) and expense, net(9)	(424)	(1,911)	(1,271)	56	227	(1,100)
Adjusted Restaurant-Level EBITDA	**$ 162,133**	**$ 156,131**	**$ 181,562**	**$ 22,797**	**$ 39,484**	**$ 198,249**
Reconciliation of Adjusted net income (loss)						
Net income (loss)	10,104	(31,919)	(29,463)	(22,209)	(7,168)	(14,422)
Add:						
Impairment and other lease charges	3,685	3,564	12,778	2,881	353	10,250
Acquisition & integration costs(6)	1,445	10,827	273	81	—	192
Abandoned development costs(7)	—	256	3,464	688	—	2,776
Pre-opening costs(8)	462	1,449	163	89	29	103
Other (income) and expense, net(9)	(424)	(1,911)	(1,271)	56	227	(1,100)
Litigation and other professional expenses(10)	187	502	1,384	61	282	1,605
Gain on bargain purchase	(230)	—	—	—	—	—
Loss on extinguishment of debt	—	7,443	—	—	—	—
Income tax effect on above adjustments(11)	(1,138)	(5,534)	(4,199)	(964)	(223)	(3,458)
Adjustments to income tax benefit(12)	—	—	13,138	—	—	13,138
Adjusted net income (loss)	**$ 14,091**	**$ (15,323)**	**$ (3,733)**	**$ (19,317)**	**$ (6,500)**	**9,084**

(1) Acquisition costs of $1.4 million, $8.5 million and $0.3 million were included in general and administrative expense for the years ended December 30, 2018, December 29, 2019 and January 3, 2021, respectively and $0.1 million for the three months ended March 29, 2020. Additionally, stock-based compensation expense of $5.8 million, $5.8 million and $5.2 million were included in general and administrative expense for the years ended December 30, 2018, December 29, 2019, January 3, 2021, respectively, $1.1 million and $1.5 million for the three months ended March 29, 2020 and April 4, 2021, respectively and $5.6 million for the twelve months ended April 4, 2021.

(2) In 2020, we recorded gains related to insurance recoveries from property damage at four of the our restaurants of $2.1 million, a net gain on twelve sale-leaseback transactions of $0.2 million and a loss on disposal of assets of $1.0 million. In fiscal 2019, we recorded, among other things, a $1.9 million gain related to a settlement with BKC for the approval of new restaurant development by other franchisees which unfavorably impacted our restaurants. In fiscal 2018, we recorded a net gain of $0.4 million, primarily related to insurance recoveries from fires at two restaurants.

(3) Average annual sales per restaurant are derived by dividing restaurant sales by the average number of restaurants operating during the period. The twelve months ended January 3, 2021 and April 4, 2021 each contained 53 weeks.

(4) EBITDA, Adjusted EBITDA, Adjusted Restaurant-Level EBITDA and Adjusted net income (loss) are non-GAAP financial measures. EBITDA represents net income or loss before income taxes, interest expense and depreciation and amortization. Adjusted EBITDA represents EBITDA as adjusted to exclude impairment and other lease charges, acquisition and integration costs, stock compensation expense, pre-opening costs, gain on bargain purchase, loss on extinguishment of debt and other income or expense. Adjusted Restaurant-Level EBITDA represents income or loss from operations adjusted to exclude general and administrative expenses, restaurant integration costs, pre-opening costs, depreciation and amortization, impairment and other lease charges, and other income or expense. Adjusted net income (loss) represents net income or loss as adjusted to exclude loss on extinguishment of debt, impairment and other lease charges, acquisition and integration costs, pre-opening expense gain on bargain purchase, litigation costs, legal settlement gains and other income or expense, the related income tax effect of these adjustments and the establishment or reversal of a valuation allowance on our net deferred income tax assets.

(5) Restaurants we acquire are included in comparable restaurant sales after they have been operated by us for 12 months. Sales from restaurants we develop are included in comparable sales after they have been open for 15 months. Comparable restaurant sales are on a 53-week basis for the year ended January 3, 2021.

(6) Acquisition and integration costs for the periods presented include certain legal and professional fees, corporate payroll, and other general and administrative costs related to the integration of acquisitions as well as one-time repair and other operating costs which are included in other restaurant operating expenses.

(7) Abandoned development costs for the twelve months ended January 3, 2021 and December 29, 2019 and three months ended March 29, 2020 represent the write-off of capitalized costs due to the abandoned development of future restaurant locations.

(8) Pre-opening costs for the periods presented include training, labor and occupancy costs incurred during the construction of new restaurants.

(9) The year ended January 3, 2021 included gains related to insurance recoveries from property damage at four of our restaurants of $2.1 million, a net gain on twelve sale-leaseback transactions of $0.2 million and a loss on disposal of assets of $1.0 million. The year ended December 29, 2019, includes, among other things, a gain of $1.9 million from a settlement with BKC for the approval of new restaurant development by other franchisees which unfavorably impacted our restaurants. In fiscal 2018, we recorded a net gain of $0.4 million, primarily related to insurance recoveries from fires at two restaurants.

(10) Litigation and other professional expenses in fiscal 2020 include legal costs pertaining to an ongoing lawsuit with one of our vendors, costs to settle a class action claim and other non-recurring professional service expenses. In fiscal 2019 and 2018, this included legal costs pertaining to an ongoing lawsuit with one of our vendors. Litigation and other professional expenses for the three months ended April 4, 2021 and March 29, 2020 includes litigation expenses pertaining to an ongoing lawsuit with one of the Company's former vendors and other non-recurring professional service expenses.

(11) The income tax effect related to all adjustments, other than the deferred income tax valuation allowance provision (benefit), was calculated using an incremental income tax rate of 25% in fiscal 2020 and fiscal 2019, 22.2% in fiscal 2018 and 25% for the three months ended April 4, 2021 and March 29, 2020.

(12) Fiscal 2020 includes tax expense of $13.1 million to record an incremental tax valuation allowance for certain income tax credits as they may expire prior to their utilization.